FISCAL NOTE

Bill #: HB0630 **Title:** Cap school trust land revenue and use funds for other education purposes

Primary Sponsor: Olson, A **Status:** As Amended in House Committee and Revised

Sponsor signature Date | Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Expenditures:		
General Fund	$114,000	$905,000
State Special	($114,000)	($905,000)
Revenue:		
State Special Revenue	$0	$0
Net Impact on General Fund Balance:	($114,000)	($905,000)

☐ Significant Local Gov. Impact
☐ Included in the Executive Budget
☒ Dedicated Revenue Form Attached
☒ Technical Concerns
☒ Significant Long-Term Impacts
☒ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. Under current law, all school trust interest and income, as defined in MCA 20-9-341, is deposited in the guarantee account and used to fund K-12 BASE aid to schools. This bill would deposit interest and income in excess of $45.292 million in the school flexibility account.
2. The HJR2 estimates of school trust interest and income are $49.745 million for FY 2004 and $49.631 million for FY 2005. However, the revenue estimates include mineral royalties, which are not part of interest and income as defined in MCA 20-9-341. These mineral royalties are projected to be $4.339 million in FY 2004 and $3.434 million in FY 2005. Interest and income as defined in MCA 20-9-341 is projected to be $45.406 million in FY 2004 and $46.197 million in FY 2005.
3. This bill would increase revenue to the school flexibility account by $0.114 million ($45.406 million - $45.292 million) in FY 2004 and by $0.905 million ($46.197 million - $45.292 million) in FY 2005. It would reduce revenue to the guarantee account by the same amounts.
4. Proceeds from timber sales in excess of 18 million board feet are transferred from the guarantee account to the district for technology funds. A portion of mineral royalties deposited in the guarantee account are used to repay the loan from the coal trust to the school trust made pursuant to SB 495 passed by the 2001 legislature. The remaining funds in the guarantee account are used to fund K-12 BASE aid to schools.

This bill would reduce K-12 BASE aid funding from the guarantee account by $0.114 million in FY 2004 and by $0.905 million in FY 2005.

5. Reductions in the guarantee account revenues do not decrease the statutory payments to schools for BASE aid. The state general fund expenditures for K-12 BASE aid would need to be increased by the same amounts.

FISCAL IMPACT:

	FY 2004 Difference	FY 2005 Difference
Expenditures:		
Local Assistance	$0	$0
Funding of Expenditures:		
General Fund (01)	$114,000	$905,000
State Special Revenue (02)		
Guarantee Account to OPI	($114,000)	($905,000)
TOTAL	$0	$0
Revenues:		
State Special Revenue (02)		
Guarantee Account	($114,000)	($905,000)
School Flexibility Fund	$114,000	$905,000
TOTAL	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
General Fund (01)	($114,000)	($905,000)
State Special Revenue (02)		
Guarantee Account	$0	$0
School Flexibility Fund	$114,000	$905,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
School flexibility funds will receive $114,000 in FY 2004 and $905,000 in FY 2005. School districts may request voters to approve a mill levy of up to 25% of the amount of revenue they receive in the school flexibility fund.

LONG-RANGE IMPACTS:
This bill would cap school trust interest and income funding of K-12 BASE aid at $45.292 million in all future fiscal years and deposit any excess in the school flexibility account. In years when school trust interest and income is greater than $45.292 million, this would increase funds to the school flexibility account and increase the general fund appropriation that must be made to fund K-12 BASE aid by the same amount.

TECHNICAL NOTES:
Section 2 makes this bill apply to funds distributed after July 1, 2003. Each fiscal year, the last distribution of school trust interest and income for the fiscal year is made in July of the following fiscal year as part of the fiscal year end closeout. As written, this bill would apply to the last interest and income payment for fiscal 2003. Section 2 should be changed to read “applies to interest and income earned after June 30, 2003.”

DEDICATION OF REVENUE:

a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)
All revenues are from the education trust lands.

b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?
This funding is currently state special and now would be deposited in a more restrictive state special account.

c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes
The flexibility fund allows districts to spend additional money when it is available.

d) Does the need for this state special revenue provision still exist? _X_Yes ___No (Explain)

e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)
It limits the legislature's review of expenditures from the flexibility fund, as the flexibility fund will be separate and not considered in the priorities. The funding will be removed from the funding available for BASE aid.

f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)
The revenue currently funds schools and will continue to fund schools, but in a different way.

g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)
There is no significant impact to the efficiency of the agency.